

## Message Text

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SUBJECT: US POLICY FOR CONDUCT OF INTERNATIONAL  
AIR TRANSPORTATION NEGOTIATIONS

FOLLOWING IS THE TEXT OF THE UNITED STATES POLICY FOR  
THE CONDUCT OF INTERNATIONAL AIR TRANSPORTATION NEGOTIATIONS  
ANNOUNCED BY THE PRESIDENT AUG. 21.

### INTRODUCTION

UNITED STATES INTERNATIONAL AIR TRANSPORTATION POLICY  
IS DESIGNED TO PROVIDE THE GREATEST POSSIBLE BENEFIT TO  
TRAVELERS AND SHIPPERS. OUR PRIMARY AIM IS FURTHERING  
THE MAINTENANCE AND CONTINUED DEVELOPMENT OF AFFORDABLE,  
SAFE, CONVENIENT, EFFICIENT, AND ENVIRONMENTALLY ACCEPTABLE  
AIR SERVICES. OUR POLICY FOR NEGOTIATING CIVIL AIR  
TRANSPORT AGREEMENTS REFLECTS OUR NATIONAL GOALS IN  
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INTERNATIONAL AIR TRANSPORTATION. THIS POLICY PROVIDES  
A SET OF GENERAL OBJECTIVES, DESIGNED PARTICULARLY FOR  
MAJOR INTERNATIONAL AIR MARKETS, ON THE BASIS OF WHICH  
UNITED STATES NEGOTIATORS CAN DEVELOP SPECIFIC NEGOTIATING  
STRATEGIES.

MAXIMUM CONSUMER BENEFITS CAN BE BEST ACHIEVED THROUGH  
THE PRESERVATION AND EXTENSION OF COMPETITION BETWEEN  
AIRLINES IN A FAIR MARKET PLACE. RELIANCE ON COMPETITIVE  
MARKET FORCES TO THE GREATEST EXTENT POSSIBLE IN OUR

INTERNATIONAL AIR TRANSPORTATION AGREEMENTS WILL ALLOW THE PUBLIC TO RECEIVE IMPROVED SERVICE AT LOW COSTS THAT REFLECT ECONOMICALLY EFFICIENT OPERATIONS. COMPETITION AND LOW PRICES ARE ALSO FULLY COMPATIBLE WITH A PROSPEROUS U.S. AIR TRANSPORT INDUSTRY AND OUR NATIONAL DEFENSE, FOREIGN POLICY, INTERNATIONAL COMMERCE AND ENERGY EFFICIENCY OBJECTIVES.

BILATERAL AVIATION AGREEMENTS, LIKE OTHER INTERNATIONAL AGREEMENTS, SHOULD SERVE THE INTERESTS OF BOTH PARTIES. OTHER COUNTRIES HAVE AN INTEREST IN THE ECONOMIC PROSPERITY OF THEIR AIRLINE INDUSTRIES, AS WE DO IN THE PROSPERITY OF OURS. THE UNITED STATES BELIEVES THIS INTEREST IS BEST SERVED BY A POLICY OF EXPANSION OF COMPETITIVE OPPORTUNITY RATHER THAN RESTRICTION. BY OFFERING MORE SERVICES TO THE PUBLIC, IN A HEALTHY AND FAIR COMPETITIVE ENVIRONMENT, THE INTERNATIONAL AIR TRANSPORT INDUSTRY CAN STIMULATE THE GROWTH IN TRAFFIC WHICH CONTRIBUTES BOTH TO PROFITABLE INDUSTRY OPERATIONS AND TO MAXIMUM PUBLIC BENEFITS.

#### GOALS OF U.S. INTERNATIONAL AIR TRANSPORTATION POLICY

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THE U.S. WILL WORK TO ACHIEVE A SYSTEM OF INTERNATIONAL AIR TRANSPORTATION THAT PLACES ITS PRINCIPAL RELIANCE ON ACTUAL AND POTENTIAL COMPETITION TO DETERMINE THE VARIETY, QUALITY AND PRICE OF AIR SERVICE. AN ESSENTIAL MEANS FOR CARRYING OUT OUR INTERNATIONAL AIR TRANSPORTATION POLICY WILL BE TO ALLOW GREATER COMPETITIVE OPPORTUNITIES FOR U.S. AND FOREIGN AIRLINES AND TO PROMOTE NEW LOW-COST TRANSPORTATION OPTIONS FOR TRAVELERS AND SHIPPERS. ESPECIALLY IN MAJOR INTERNATIONAL AIR TRANSPORT MARKETS, THERE CAN BE SUBSTANTIAL BENEFITS FOR TRAVELERS, SHIPPERS, AIRLINES AND LABOR FROM INCREASING COMPETITIVE OPPORTUNITIES AND REDUCING PROTECTIONIST RESTRICTIONS. INCREASING OPPORTUNITIES FOR U.S. FLAG TRANSPORTATION TO AND FROM THE UNITED STATES WILL CONTRIBUTE TO THE DEVELOPMENT OF OUR FOREIGN COMMERCE, ASSURE THAT MORE AIRLIFT RESOURCES ARE AVAILABLE FOR OUR DEFENSE NEEDS, AND PROMOTE AND EXPAND PRODUCTIVITY AND JOB OPPORTUNITIES IN OUR INTERNATIONAL AIR TRANSPORT INDUSTRY.

#### TRANSLATING GOALS INTO NEGOTIATING OBJECTIVES

U.S. INTERNATIONAL AIR TRANSPORTATION POLICY CANNOT BE IMPLEMENTED UNILATERALLY. OUR OBJECTIVES HAVE TO BE ACHIEVED IN THE SYSTEM OF INTERNATIONAL AGREEMENTS THAT FORM THE BASIC FRAMEWORK FOR THE INTERNATIONAL AIR TRANSPORTATION SYSTEM.

ROUTES, PRICES, CAPACITY, SCHEDULED AND CHARTER RULES AND COMPETITION IN THE MARKET PLACE ARE INTERRELATED, NOT ISOLATED PROBLEMS TO BE RESOLVED INDEPENDENTLY. THUS, THE FOLLOWING OBJECTIVES WILL BE PRESENTED IN NEGOTIATIONS AS AN INTEGRATED U.S. POSITION:

1. CREATION OF NEW AND GREATER OPPORTUNITIES FOR INNOVATIVE AND COMPETITIVE PRICING THAT WILL ENCOURAGE AND PERMIT THE USE OF NEW PRICE AND SERVICE OPTIONS TO UNCLASSIFIED

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MEET THE NEEDS OF DIFFERENT TRAVELERS AND SHIPPERS,

2. LIBERALIZATION OF CHARTER RULES AND ELIMINATION OF RESTRICTIONS ON CHARTER OPERATIONS,

3. EXPANSION OF SCHEDULED SERVICE THROUGH ELIMINATION OF RESTRICTIONS ON CAPACITY, FREQUENCY, AND ROUTE AND OPERATING RIGHTS,

4. ELIMINATION OF DISCRIMINATION AND UNFAIR COMPETITIVE PRACTICES FACED BY U.S. AIRLINES IN INTERNATIONAL TRANSPORTATION.

5. FLEXIBILITY TO DESIGNATE MULTIPLE U.S. AIRLINES IN INTERNATIONAL AIR MARKETS,

6. ENCOURAGEMENT OF MAXIMUM TRAVELER AND SHIPPER ACCESS TO INTERNATIONAL MARKETS BY AUTHORIZING MORE CITIES FOR NON-STOP OR DIRECT SERVICE, AND BY IMPROVING THE INTEGRATION OF DOMESTIC AND INTERNATIONAL AIRLINE SERVICES, AND

7. FLEXIBILITY TO PERMIT THE DEVELOPMENT AND FACILITATION OF COMPETITIVE AIR CARGO SERVICES.

EXPLANATION OF OBJECTIVES:

1. PRICING. THE U.S WILL DEVELOP NEW BILATERAL PROCEDURES TO ENCOURAGE A MORE COMPETITIVE SYSTEM FOR ESTABLISHING SCHEDULED AIR FARES AND RATES. CHARTER PRICING MUST CONTINUE TO BE COMPETITIVE. FARES, RATES AND PRICES SHOULD BE DETERMINED BY INDIVIDUAL AIRLINES BASED

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PRIMARILY ON COMPETITIVE CONSIDERATIONS IN THE MARKET-PLACE. GOVERNMENTAL REGULATION SHOULD NOT BE MORE THAN THE MINIMUM NECESSARY TO PREVENT PREDATORY OR DISCRIMINATORY PRACTICES, TO PROTECT CONSUMERS FROM THE ABUSE OF

MONOPOLY POSITION, OR TO PROTECT COMPETITORS FROM PRICES THAT ARE ARTIFICIALLY LOW BECAUSE OF DIRECT OR INDIRECT GOVERNMENTAL SUBSIDY OR SUPPORT. RELIANCE ON COMPETITION AND ENCOURAGEMENT OF PRICING BASED ON COMMERCIAL CONSIDERATIONS IN THE MARKETPLACE PROVIDES THE BEST MEANS OF ASSURING THAT THE NEEDS OF CONSUMERS WILL BE MET AND THAT PRICES WILL BE AS LOW AS POSSIBLE GIVEN THE COSTS OF PROVIDING EFFICIENT AIR SERVICE.

2. CHARTERS. THE INTRODUCTION OF CHARTERS ACTED AS A MAJOR CATALYST TO THE EXPANSION OF INTERNATIONAL AIR TRANSPORTATION IN THE 1960'S. CHARTERS ARE A COMPETITIVE SPUR AND EXERT DOWNWARD PRESSURE ON THE PRICING OF SCHEDULED SERVICES. CHARTERS GENERATE NEW TRAFFIC AND HELP STIMULATE EXPANSION IN ALL SECTORS OF THE INDUSTRY. RESTRICTIONS WHICH HAVE BEEN IMPOSED ON THE VOLUME, FREQUENCY AND REGULARITY OF CHARTER SERVICES AS WELL AS REQUIREMENTS FOR APPROVAL OF INDIVIDUAL CHARTER FLIGHTS HAVE RESTRAINED THE GROWTH OF TRAFFIC AND TOURISM AND DO NOT SERVE THE INTERESTS OF EITHER PARTY TO AN AVIATION AGREEMENT. STRONG EFFORTS WILL BE MADE TO OBTAIN LIBERAL CHARTER PROVISIONS IN BILATERAL AGREEMENTS.

3. SCHEDULED SERVICES. WE WILL SEEK TO INCREASE THE FREEDOM OF AIRLINES FROM CAPACITY AND FREQUENCY RESTRICTIONS. WE WILL ALSO WORK TO MAINTAIN OR INCREASE THE ROUTE AND OPERATING RIGHTS OF OUR AIRLINES WHERE SUCH ACTIONS IMPROVE INTERNATIONAL ROUTE SYSTEMS AND OFFER THE CONSUMER MORE CONVENIENT AND EFFICIENT AIR TRANSPORTATION.

4. DISCRIMINATION AND UNFAIR COMPETITIVE PRACTICES.  
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U.S. AIRLINES MUST HAVE THE FLEXIBILITY TO CONDUCT OPERATIONS AND MARKET THEIR SERVICES IN A MANNER CONSISTENT WITH A FAIR AND EQUAL OPPORTUNITY TO COMPETE WITH THE AIRLINES OF OTHER NATIONS. WE WILL INSIST THAT U.S. AIRLINES HAVE THE BUSINESS, COMMERCIAL AND OPERATIONAL OPPORTUNITIES TO COMPETE FAIRLY. THE UNITED STATES WILL SEEK TO ELIMINATE UNFAIR OR DESTRUCTIVE COMPETITIVE PRACTICES THAT PREVENT U.S. AIRLINES FROM COMPETING ON A EQUAL BASIS WITH THE AIRLINES OF OTHER NATIONS. CHARGES FOR PROVIDING AIRWAY AND AIRPORT PROPERTIES AND FACILITIES SHOULD BE RELATED TO THE COSTS DUE TO AIRLINE OPERATIONS AND SHOULD NOT DISCRIMINATE AGAINST U.S. AIRLINES. THESE OBJECTIVES WERE RECOGNIZED

BY THE CONGRESS IN LEGISLATION ENACTED IN 1975, AND THEIR ATTAINMENT IS REQUIRED IF CONSUMERS, AIRLINES AND EMPLOYEES ARE TO OBTAIN THE BENEFITS OF AN OTHERWISE COMPETITIVE INTERNATIONAL AVIATION SYSTEM.

5. MULTIPLE AIRLINE DESIGNATIONS. THE DESIGNATION OF NEW U.S. AIRLINES IN INTERNATIONAL MARKETS THAT WILL SUPPORT ADDITIONAL SERVICE IS A WAY TO CREATE A MORE COMPETITIVE ENVIRONMENT AND THUS ENCOURAGE IMPROVED SERVICE AND COMPETITION PRICING. PRIVATELY OWNED AIRLINES HAVE TRADITIONALLY BEEN THE SOURCE OF INNOVATION AND COMPETITION IN INTERNATIONAL AVIATION, AND IT IS THEREFORE PARTICULARLY IMPORTANT TO PRESERVE FOR THE U.S. THE RIGHT OF MULTIPLE DESIGNATION.

6. MAXIMUM ACCESS TO INTERNATIONAL MARKETS. INCREASING THE NUMBER OF GATEWAY CITIES FOR NON-STOP OR DIRECT AIR SERVICE OFFERS THE POTENTIAL FOR INCREASING THE CONVENIENCE OF AIR TRANSPORTATION FOR PASSENGERS AND SHIPPERS AND

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IMPROVING ROUTING AND MARKET OPPORTUNITIES FOR INTERNATIONAL AIRLINES. IN ADDITION, ENHANCING THE INTERGRATION OF U.S. AIRLINE DOMESTIC AND INTERNATIONAL AIR SERVICES BENEFITS BOTH CONSUMERS AND AIRLINES.

7. CARGO SERVICES. WE WILL SEEK THE OPPORTUNITY FOR THE FULL DEVELOPMENT OF CARGO SERVICES. FREQUENT DEMAND FOR SUCH SERVICES REQUIRES SPECIAL EQUIPMENT AND ROUTES. CARGO SERVICES SHOULD BE PERMITTED TO DEVELOP FREELY AS TRADE EXPANDS. ALSO IMPORTANT IN THE DEVELOPMENT OF CARGO SERVICES ARE IMPROVED FACILITATION, INCLUDING CUSTOMS CLEARANCE, INTEGRATION OF SURFACE AND AIR MOVEMENTS, AND FLEXIBILITY IN GROUND SUPPORT SERVICES.

NEGOTIATING PRINCIPLES

THE GUIDING PRINCIPLE OF UNITED STATES AVIATION NEGOTIATING POLICY WILL BE TO TRADE COMPETITIVE OPPORTUNITIES, RATHER THAN RESTRICTIONS, WITH OUR NEGOTIATING PARTNERS. WE WILL AGGRESSIVELY PURSUE OUR INTERESTS IN EXPAND AIR TRANSPORTATION AND REDUCED PRICES RATHER THAN ACCEPT THE SELF-DEFEATING ACCOMMODATION OF PROTECTIONISM. OUR CONCESSIONS IN NEGOTIATIONS WILL BE GIVEN IN RETURN FOR PROGRESS TOWARD COMPETITIVE OBJECTIVES, AND THESE CONCESSIONS THEMSELVES WILL BE OF A LIBERALIZING CHARACTER.

PROPOSED BILATERAL AGREEMENTS WHICH DO NOT MEET OUR MINIMUM COMPETITIVE OBJECTIVES WILL NOT BE SIGNED WITHOUT PRIOR PRESIDENTIAL APPROVAL. CHRISTOPHER

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